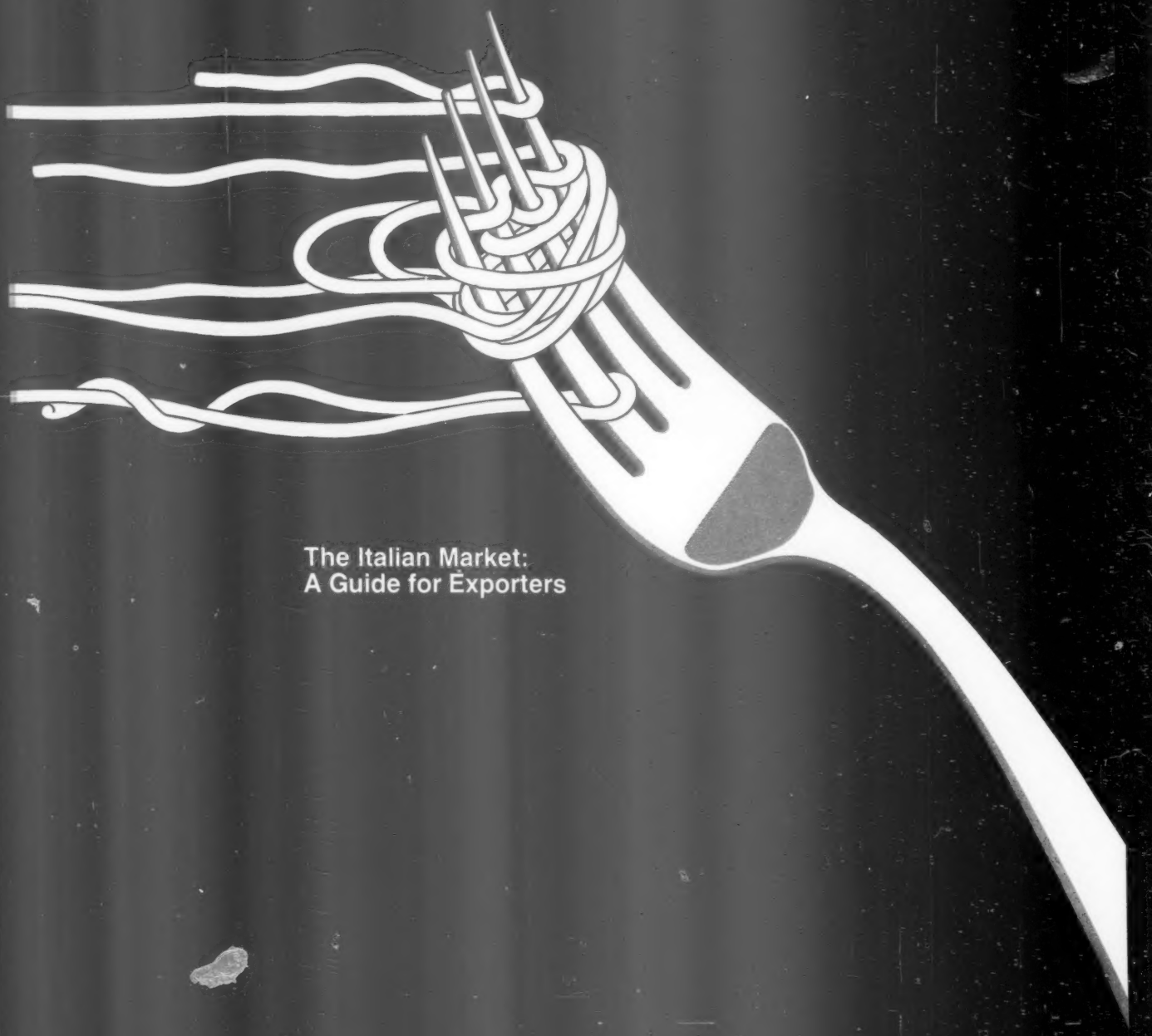
United States
Department of Agriculture
Foreign Agricultural Service
October 1985

Foreign Agriculture



The Italian Market: A Guide for Exporters

Marketing News

Eastern Embrace of Western Diet Increases U.S. Wheat Sales

A new research and training facility, partly funded by **U.S. Wheat Associates**, is now open in Taiwan. The facility, an addition to the Taiwan Baking School, will help increase the diversity of wheat-based products available to consumers in Taiwan. Eastern cultures are demanding more Western-style foods in their diets, which means less rice and more wheat. Since its founding in 1967, the Taiwan Baking School has graduated over 3,600 students.

Taiwan, with a population of 18.5 million, is one of the largest markets in Asia for U.S. wheat, buying over $100 million worth in 1984. New, modern bakeries have been established in Taiwan to serve the booming fast food industry. Familiar Western chains such as McDonald's and Mr. Donut are already operating there, with Dunkin' Donut, Wendy's and Kentucky Fried Chicken soon to begin business.

Japan Week Promotion Draws Crowd in Germany

The **U.S. Meat Export Federation** last summer sponsored a booth at Japan Week, a festival at a Hamburg, West Germany, department store, which drew more than 3 million visitors. The booth featured preparations of Japanese dishes, including sukiyaki and shabu-shabu, using U.S. beef. Japanese recipe books were sold at the promotion site along with all the ingredients for individual recipes. The promotion was popular among both the Germans and Hamburg's large Japanese population, which consumes 60 percent of the store's U.S. beef. The promotion was expanded to other stores throughout Germany and was held over in its Hamburg location due to its large success.

Export Handbook Available From USDA

The **Export Handbook for U.S. Agricultural Products** by C.J. Nicholas, Agricultural Handbook No. 593, is now available from USDA. This "how-to-export" guide gives U.S. shippers of agricultural products tips on product selection, packaging, storage, handling, loading and transport. Single copies are free, and may be obtained by contacting the Office of Transportation, Room 1304 Auditors Building, USDA, 14th and Independence Avenue, SW, Washington, DC 20250. Tel. (202) 447-6235.

Feed Grains Council Names New North African Director

The **U.S. Feed Grains Council** has hired Jeff Brown as its North African director. Mr. Brown was most recently employed as the Middle East/North Africa representative for Worldwide Sires. He should be permanently stationed in Algeria by October 1. A U.S. Feed Grains Council team was recently in Algeria to review sites for two multi-cooperator demonstration farms. Following these site surveys, the cooperators and the Algerian government were to undertake contract negotiations.

Tunis ATO Participates in International Trade Fair

The U.S. Agricultural Trade Office (ATO) in Tunis, Tunisia, recently participated in the International Trade Fair in Sfax. ATO participation in the event helped to publicize the role of the ATO and the availability of the Agricultural Information and Marketing Services (AIMS) program linking U.S. exporters and Tunisian importers. The ATO purchased an ad in the fair's catalogue and distributed leaflets to visitors, describing ATO functions and recent cooperator projects involving technical assistance. In addition, the trade officer showed a film on U.S. Holsteins and a slide show on soybean food products produced by the **American Soybean Association**. At its booth, the ATO provided literature from a number of cooperators and displayed a variety of U.S. agricultural products, including rice, wheat, corn and peas, as well as a model of a U.S. Holstein cow. There was substantial public interest in U.S. food products, and fair officials attending an ATO reception also were enthusiastic about the U.S. products served.

The Magazine for Business Firms Selling U.S. Farm Products Overseas

Published by
U.S. Department of Agriculture
Foreign Agricultural Service

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Italy Is Big Food Producer and Importer

By Richard B. Helm

Italy boasts one of the most varied agricultural sectors on the European continent, producing crops ranging from durum wheat and sugarbeets to grapes and oranges. About half of all farmers grow grapes and one-quarter grow olives. These two items alone account for about 10 percent of total farm income. The average farm is small (about 17 acres) and often on hilly terrain.

A surplus producer of Mediterranean products (principally wine, fruits, vegetables, sugar, rice and tobacco), Italy is still a deficit producer of several products, mostly grains and feeds, oilseeds and livestock products.

Not surprisingly, about 90 percent of Italy's agricultural imports are comprised of these deficit commodities. Italy's agricultural imports from all countries in 1984 totaled $13.3 billion, netting an agricultural trade deficit of just under $8 billion.

Meat Tops Italian Import List

Meat products are the leading import item, accounting for about 15 percent of total agricultural purchases from abroad. Other major imports in order of importance include live cattle, coffee, wheat, cotton, oilseeds and corn.

Between 50 and 60 percent of Italy's total agricultural trade is with its European Community (EC) partners. Other important trading partners are the United States, Eastern Europe, Brazil, Argentina, Australia, Austria, Switzerland and North Africa.

Fresh fruit tops the list of Italian agricultural exports, followed closely by wine. Additional items include canned fruit and tomatoes, cheese, pasta and confectionery products.

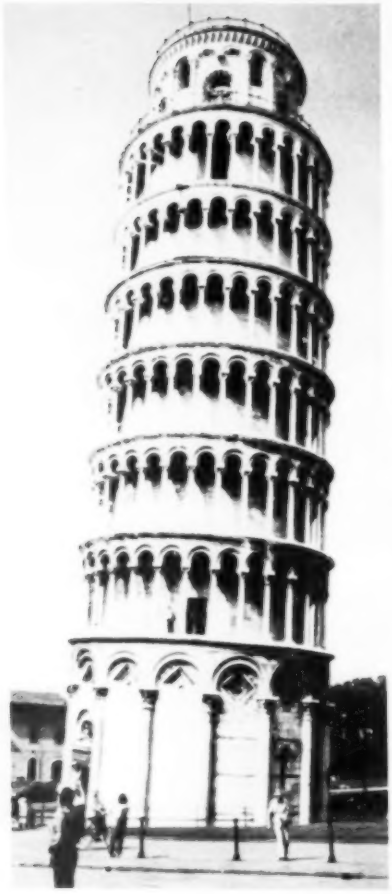
The United States continues to have an agricultural trade surplus with Italy, albeit a declining one. In 1984, U.S. agricultural exports to Italy exceeded imports of Italian farm products by $255 million. U.S. agricultural exports to Italy peaked in 1981 at $1.2 billion and then slid 33 percent to $795 million by 1984 as a result of intra-EC

competition, a stagnant livestock sector, weak domestic demand and the strength of the dollar relative to the lira.

Soybeans Are No. 1 Import

In recent years, soybeans have overtaken corn as the number one import item from the United States. Remaining U.S. imports are divided mostly between high-technology items (planting seed, bull semen and hatching eggs) and consumer items (prunes, grapefruit juice, walnuts and popcorn).

It is important to keep in mind, however, that some of Italy's agricultural imports are processed and later re-exported as finished products. Two such important items are cotton and hides and skins for Italy's prestigious fashion industry. Roughly 25 percent of Italy's gross domestic product is exported.



Italy's agricultural exports to the United States have increased 27 percent since 1981 to a record $540 million in 1984. The Mediterranean diet is again evident in Italy's exports to the United States.

Wine is overwhelmingly the most important export item, accounting for over half of the value of total U.S. agricultural imports from Italy. Other important exports include cheeses, pasta, olive oil, tomato products and confectionery items. ■

The author is the U.S. agricultural attache in Rome, Italy.

Wide Variety of Products Make Up U.S.-Italian Agricultural Trade

Major Exports to Italy	1983		1984	
	Thous. m.t.	*$ Mil.*	*Thous. m.t.*	*$ Mil.*
Grain and feed	571	99	1,079	170
Wheat	385	66	479	81
Rice	28	6	104	16
Corn	96	13	418	59
Pulses	12	6	9	5
Oilseeds and products	1,441	357	1,074	279
Soybeans	595	155	155	157
Soybean meal	811	184	422	91
Peanuts	6	6	7	7
Corn oil	15	8	15	10
Sunflowerseed	14	4	46	14
Cotton	28	41	68	113
Seeds for planting	18	28	16	27
Corn seeds	7	12	5	10
Poultry products	N/A	3	N/A	2
Hatching eggs	N/A	1	N/A	0
Fruit, vegetables and nuts	12	18	13	19
Dried prunes	6	5	6	6
Walnuts	4	5	4	5
Tobacco	15	89	14	90
Livestock products	12	71	5	89
Horsemeat	5	1	8	2
Tallow	5	2	0	0
Hides and skins	2	38	3	63
Furs	7	12	6	10
Mohair	7	8	3	3
Bull semen	N/A	3	N/A	3
Others	N/A	7	N/A	6
Total	**2,098**	**713**	**2,271**	**795**

Major Imports From Italy	1983		1984	
	Thous. m.t.	*$ Mil.*	*Thous. m.t.*	*$ Mil.*
Grains and products	58	26	86	40
Pasta	33	19	51	29
Bakery products	N/A	4	N/A	5
Olive oil	19	27	26	34
Cheeses	8	40	12	44
Parmigiano	1	6	1	6
Provolone	1	4	1	3
Pecorino	6	28	9	31
Tomato products	40	20	48	27
Chestnuts	4	6	4	6
Wines and vermouth	271 [1]	319	319 [1]	329
Confectionery prod.	1	13	2	20
Tobacco	11	20	8	10
Others	N/A	22	N/A	30
Total	**150** [2]	**493**	**199** [2]	**540**

[1] Million liters.
[2] Does not include products that are not measured in metric tons (e.g., wine).

Italy's Corn Market and the CAP: What Happens When Prices Are Raised

By James P. Rudbeck

Italy was once one of the world's largest import markets for corn and a leading outlet for U.S. corn exports. Since the inception of the European Community's (EC) Common Agricultural Policy (CAP), however, the market has deteriorated in a classic example of what happens when prices overseas are maintained at artificially high levels.

—Domestic production has been encouraged;

—Demand for livestock products and animal feeds has stagnated;

—Competitive forces have been distorted so that more livestock and dairy products are being imported from other EC countries; and

—Imports of corn have dropped by over half, and imports of corn from the United States are down even more.

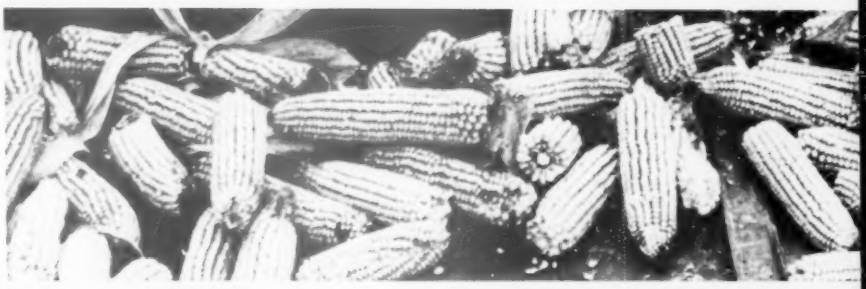
What happened in the Italian market does not augur well for U.S. exports of corn to Spain and Portugal, which are scheduled to be integrated into the EC in January 1986. There are many similarities between the three countries. And what has happened in Italy could be repeated in one manner or another in Spain and Portugal.

Italy Once a Leading Corn Market

In the 1960s and early 1970s, Italy was a tremendous corn market. In 1965/66, for example, Italy imported just short of 5.5 million tons of corn, roughly one-fifth of world corn trade that year.

Of that total, 2.6 million tons—just under half—came from the United States. For the United States, this represented 15 percent of total U.S. grain exports.

In the mid- to late 1970s, Italy's corn imports were still high—4 million tons annually, including up to 2.8 million tons of U.S. corn. But by 1984/85, Italy's overall corn imports were expected to plummet to 1.1 million tons, only about 300,000 tons of which were expected to come from the United States.



Big Use of Corn as Feed Component

In contrast to the northern EC countries of Denmark, West Germany and the Netherlands, Italy still uses corn as an energy source in its feed rations. Grains (corn, barley and lately wheat) still account for roughly 60 percent of feed rations. Non-grain feed ingredients, such as manioc and corn gluten feed, have not made much headway in Italian feed rations. Oilseed meals (mostly soybean) and wheat bran are the other major ingredients used.

Corn Production Stimulated

Corn production in Italy has about doubled since the CAP was implemented in 1962 to over 7 million tons in good years. The expansion has been virtually all through improved yields, as the area devoted to corn drifted downward through the mid-1970s and again in more recent years.

There has been a switch from low-yielding local varieties to hybrid corn. Some 25 years ago, non-hybrid seed accounted for 40 percent of production and 65 percent of acreage. Today, hybrids account for 95 percent of production. Some 90 percent of the corn grown is of U.S.-origin seed stock, and roughly 80 percent is irrigated. Marginal areas—where irrigation is not available—have been shifted to sunflowerseed, soybeans and barley, while better lands are devoted intensively to corn.

Demand Stagnated

Feed demand, particularly corn usage, increased fairly strongly through the late 1970s. But in more recent years, demand has stagnated, and in the case of corn, actually declined as wheat began to move into feed rations in increased quantities.

The overall stagnation in feed usage is due in part to increased competition from livestock and dairy product imports from other EC countries and weakness in domestic demand.

Competitive Forces Increase

Italian livestock producers are facing increased competition from other EC suppliers, particularly for beef, pork and dairy products. In the early 1960s, Italy was 80-85 percent self-sufficient in beef. In recent years, the country has been only about 60 percent self-sufficient in beef (including feeder cattle brought in for finishing).

Most of the competition today comes from West Germany and France. At the same time, while per capita beef consumption increased steadily in the early 1970s, peaking in 1973 at about 26 kilograms, it has flattened out at 25 kilograms in more recent years, and reportedly declined in 1984.

For swine and pork, the competition (mostly from the Netherlands and Denmark) is even greater. Currently, Italy supplies only about 70 percent of its needs, a far cry from nearly 100 percent in the 1960s.

In contrast to beef, pork consumption has increased over the years, although it has been stagnant over the past several years.

For dairy products, the competition from other EC suppliers has been very severe. The self-sufficiency level in the overall dairy sector has been declining to the present level of about 65 percent. For fluid milk, it is about 80 percent. Although Italy is famous for its cheeses, roughly 25 percent of local consumption is imported.

Although it is felt that farm management in the Po Valley is on a par with northern EC countries, the biggest factors giving the edge to the northerners are the marketing structures and more ready access to lower priced grains and non-grain feed ingredients.

In surplus-producing areas of northern Europe, grain prices are often close to the intervention price or lower. Non-grain feed ingredients are available at lower prices due to the deep-water ports that can receive large vessels.

In the northern EC countries, feed companies tend to be located close to the ports, whereas in Italy the firms are inland, requiring additional truck or rail costs. The number of feed compounding firms is about 800, down from 1,400 only 10 years ago, but still a rather fragmented industry compared to northern Europe.

Only in poultry has Italy been able to hold its own and to see consumption expand. Per capita consumption has increased nearly fourfold to around 17 kilograms per person. All but a small margin has come from domestic production.

Italian Corn Imports Have Dropped Due to Larger Domestic Output and Declining Usage

Year	Corn Production	Imports		Feed Use of Grains		
		U.S.	Total	Corn	Total	Corn
	Mil. m.t.	*Mil. m.t.*	*Mil. m.t.*	*Mil. m.t.*	*Mil. m.t.*	*Percent of total*
1960/61	3.8	.1	1.6	4.8	6.2	77
1961/62	3.9	.4	2.0	5.1	6.4	79
1962/63	3.3	.7	3.0	5.5	7.0	78
1963/64	3.7	1.1	4.3	7.1	8.8	81
1964/65	4.0	1.5	3.9	6.9	8.4	82
1965/66	3.3	2.6	5.5	7.3	9.2	80
1966/67	3.5	1.3	5.0	7.6	9.4	81
1967/68	3.9	1.7	4.9	7.9	10.0	80
1968/69	4.0	1.6	4.9	8.0	9.9	81
1969/70	4.5	1.3	4.3	8.0	10.2	79
1970/71	4.7	1.1	4.5	8.3	10.6	78
1971/72	4.5	1.4	4.4	8.6	10.7	80
1972/73	4.8	2.5	4.7	8.7	10.9	80
1973/74	5.1	2.3	5.1	8.8	11.1	79
1974/75	5.0	2.2	4.4	8.2	10.3	80
1975/76	5.3	2.4	4.2	8.5	10.6	80
1976/77	5.2	2.8	4.6	8.6	10.9	79
1977/78	6.4	1.3	2.4	8.4	10.8	78
1978/79	6.2	2.4	3.9	9.1	11.6	79
1979/80	6.2	2.0	3.2	8.7	11.3	77
1980/81	6.4	2.1	2.6	7.9	10.5	76
1981/82	7.2	1.8	2.3	8.3	10.7	77
1982/83	6.8	.7	1.3	6.8	9.3	73
1983/84	6.7	.2	1.6	7.0	10.1	69
1984/85 [1]	6.8	.3	1.1	6.8	10.3	65

[1] Estimate.

CAPping the Italian Corn Market

The price harmonization of the EC's common grain policy began in 1962 and was largely completed by July 1967. Italy was given a special exemption for corn and barley arriving via sea that was to have been phased out by 1972. The exemption, in the form of a discount to the import levy, was not phased out until 1982/83.

This discount in the levy enabled Italian feeders to obtain corn at a more competitive rate. It was to have been compensation for the longer sea voyage and higher unloading costs to Italian ports compared with Rotterdam (where the levy is calculated for the EC) and for the inability of Italian ports to handle large vessels.

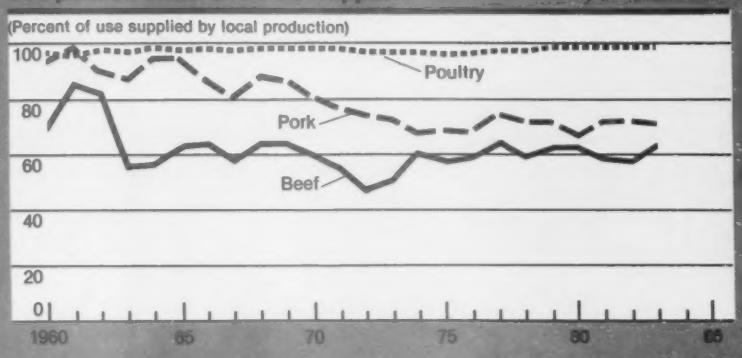
The discount was as high as $10 per ton in the mid-1960s, gradually declining to $1.65 by 1976/77. It rose again to $7 in 1980/81, and finally decreased to zero in 1983/84. With the elimination of the discount, the prices paid by Italian feed compounders had reached a point where it was no longer feasible to buy corn at traditional levels. ■

The author was formerly U.S. agricultural counselor in Rome, Italy. He is now stationed in Washington.

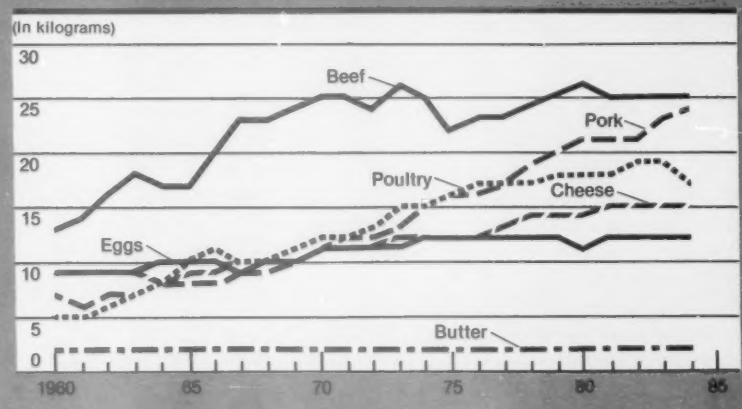
How the EC Increases Grain Prices

Each year, the European Community sets prices for the coming marketing season. It sets a "target price" for each grain, which represents the objective price desired for producers. This price, translated to a port position, is then referred to as a "threshold price." When world prices are lower than the threshold price, which is usually the case, an import levy is used to bring the price of imported grains up to the threshold price. In June 1985, the corn import levy was about $58 per ton for Italy, representing almost 30 percent of the ultimate buyer's price.

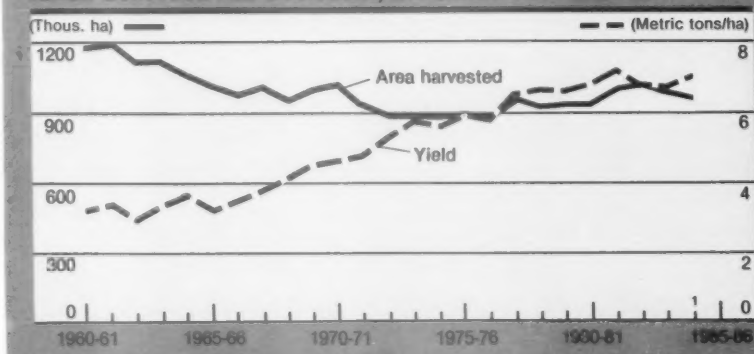
Italian Meat Self-Sufficiency Has Decreased in Response to Competition From Other EC Suppliers



Higher Feed Prices Have Caused Italian Demand for Livestock Products To Level Off



Italian Corn Area Has Decreased, but Yields Have Doubled



[1]Estimate.

La Dolce Vita: More Meat And Frozen Foods on Italian Plates

By Richard B. Helm

While the typical dinner menu in most Italian households is still likely to be pasta, these days it is also likely to include more animal protein and frozen foods as well.

Italian food buying habits—both what is bought and where—have changed over the past 15 years. For a start, there is likely to be more meat, milk and eggs on the table now than in 1970. Italians clearly are consuming more protein, particularly livestock products.

As a percentage of total food expenditures, the growth in protein consumption has come at the expense of small declines in eating of bread, pasta and fruits and vegetables.

Overall consumption has continued to increase, however, for products for which Italy is famous—pasta, olive oil, tomato products and other fruits and vegetables.

Italian-EC Eating Differences

Although increasing, Italy's meat consumption remains below the European Community (EC) average. Italian poultry consumption is the highest in the EC and rising. However, consumption of red meat has stagnated—perhaps even declined last year—and pork consumption is the lowest in the Community after Greece.

Next to Greece, Italy consumes the smallest amount of margarine and butter in the EC. The same is true for dairy products. In contrast, consumption of seed oils and olive oil is very high at about 10 kilograms per person per year. Cheese intake, at about 15 kilograms per person, is about at the Community average. Italians eat fewer eggs than most EC consumers.

Not surprisingly for a country with 154 types of pasta (at last count), Italian per capita consumption of wheat products is the highest in the Community and twice that of West Germany. Italians eat twice as much fresh fruit and vegetables as their northern EC partners, but have the lowest potato consumption.

Although Italian wine consumption is declining, it is second only to France's. Per capita consumption reached a high of 110 liters in 1966-70, then fell to only 82 liters in 1983. But average consumption of high-quality wines rose during this period.

The increase in consumption of high-quality wines points out an important rule to remember: quality counts. Like all consumers, Italians look at prices. Nevertheless, for such items as prunes, walnuts and lentils, Italian imports show a constant pattern of demand for high-quality products.

Most Italians Buy in Small Shops

The Italian food industry is still dominated by small shops, but this trend is changing as Italians discover the price and convenience advantages of larger outlets.

According to a recent survey, Italians could save as much as $30-50 per month by shopping in supermarkets (supermercati). Still, supermarkets currently account for only 7-8 percent of total retail sales.

There are approximately 1,200 supermarkets in Italy, but local governments have slowed expansion of additional outlets by limiting licenses in order to protect small retailers. Many wholesalers and retailers have formed associations to take advantage of bulk purchases for their members.

The Changing Face of Italian Food Consumption

(Percent of Food Consumption Calculated at Constant Prices)

Item	1970	1984
Bread and cereals	11.9	10.6
Meat	29.4	33.8
Fish	3.4	3.3
Milk, cheese and eggs	12.1	13.2
Fats and oils	5.6	5.2
Fruits and vegetables	19.5	17.6
Potatoes	1.4	1.0
Sugar	1.7	1.9
Coffee, tea and cocoa	2.3	2.4
Other food products	2.6	2.1
Non-alcoholic drinks	1.1	1.3
Alcoholic drinks	9.0	7.6

Smaller Share of Income Spent on Food

Italian consumers spend an estimated 28 percent of their income on food, 9 percent of which goes to buy meat. Some 25 years ago, these percentages were 43 percent and 22 percent, respectively.

Another development to watch in the Italian food market is a marked increase in consumption of frozen foods in recent years. Since 1975, total consumption of frozen foods has increased over 150 percent.

Fruits and vegetables account for 50 percent of total frozen food purchases, followed by snacks and desserts (20 percent), fish products (15 percent) and meat and chicken (10 percent).

But there is still ample room for expansion: Italian per capita consumption of frozen foods is only about 9 pounds per year, one-tenth of that in the United States. ■

The author is the U.S. agricultural attache in Rome, Italy.

Italy: An Exporter's Guide

By John Davenport

The Italian market for agricultural goods is more or less a "free market," where most business is transacted by private firms or cooperatives. But U.S. exporters should be aware of the regional differences in marketing techniques before developing a sales plan.

As a member of the European Community (EC), Italy abides by EC import policies and regulations. The role of the state in the economy is somewhat broader than in most European countries, but only in the case of tobacco does a state entity have a direct role in agricultural or food product trade.

Marketing Techniques Vary With Commodity, Region

What marketing channel an exporter decides to use in Italy depends on the nature of the commodity and the region involved. In general, Italy is divided into the industrial north and a southern half where economic conditions are less advanced.

Marketing techniques and types of food products in demand will differ in various parts of the country. Well-established food importers and distributors are familiar with these conditions and they are prepared to service all kinds of clientele.

Import Licenses. Except for a small group of agricultural products, farm goods originating from the United States may be imported without import licenses.

Documents. Required shipping documents include the usual shipper's commercial invoice and the bill of lading or air waybill. It is also good practice to provide a certificate of origin.

Italy also requires a bank import form containing the terms of payment and requesting the documentation necessary to remit the amount due to the exporter.

Duties and Taxes. For non-EC countries the duties are based on the market value of the goods as determined by the EC—generally the price that appears on the exporter's invoice.

In the case of some agricultural products, the European Commission calculates the landed price for determining the import levy.

Beck Star

Some products may be imported temporarily into Italy without payment of duties and taxes if these materials are used in the production or manufacture of a product that is re-exported.

Samples, either with or without commercial value, are admitted free of duty and taxes.

Free-Trade Zones. While Italy has no free ports, it has two free-trade zones at Trieste and Venice. Goods of foreign origin are

free of customs duties while held in the zones, or subsequently transhipped or re-exported. Retail sale, however, is prohibited.

There are about 800 general warehouses, similar to bonded warehouses in the United States, located in 10 port cities.

Labeling. Italy applies EC tariffs, levies and other regulations, such as phytosanitary, labeling and health, to imports from third countries, that is, suppliers outside the EC.

In addition, Italian regulations on some value-added products are even more rigid. For example, Italy will not permit the import of beef or beef products unless there is a guarantee that no growth hormones were used. Also, Italy requires a bilateral veterinary agreement to cover all meat imports.

Italian food additive requirements are generally stricter than EC norms. Labels must have all elements in the Italian language. Therefore, it is extremely important that before a product is shipped to Italy the exporter submits a label for clearance either to his overseas representative, or to the Foreign Agricultural Service (FAS).

When a label is sent to FAS (a $25 fee is charged per label per country), it is forwarded to the agricultural representative overseas for clearance by the government. The exporter is then notified if the product is approved. If changes are required, they usually concern preservatives or additives.

When a U.S. exporter selects an Italian representative, it is very important that the agent be thoroughly familiar with Italian food laws, which are generally different from those of the United States.

As a practical matter, an Italian broker/importer can check—product by product—with Italian authorities to see if the products will be admitted.

The Italian Market in a Nutshell

Grains. Almost all grains and products are subject to variable import levies set by the EC Commission.

The United States is a residual supplier of corn and wheat for domestic consumption. Quality is an important factor. For instance, because importers must also pay duties on the unusable portion of grain (e.g., ash or dockage), Italians will pay a premium for pre-cleaned wheat.

Italy uses the EC scheme to import wheat, rice, corn and other grain products duty-free for re-export as a processed product.

Italy's imports of non-grain feed ingredients relative to its EC partners are small, but growing. Imports of U.S. gluten feed jumped 95 percent to $4.8 million in 1984.

Oilseeds. Most raw products and meals enter duty-free. Soybeans and meal continue to be important U.S. exports to this market. Price and quality ultimately determine the U.S. market share vis-a-vis other suppliers.

Prospects for increased soybean oil consumption could enhance the soybean market potential. New opportunities could also include an expanded market for U.S. peanuts.

Livestock. Italy is a major market for U.S. hides and skins. The principal impediment to meat imports is Italian law prohibiting use of hormones in livestock raising. As a result, only horsemeat is currently imported from the United States.

Other important livestock items are fur skins, mohair, live horses and bull semen.

Fruits and Vegetables. The United States is an important off-season exporter of fruits to Italy, although phytosanitary regulations are an obstacle for some imports.

Major U.S. exports include dried prunes, grapefruit and grapefruit juice, pineapple and pineapple juice and cut flowers. Dried prunes also are imported under the onward-processing scheme and re-exported as rehydrated product.

Opportunities opened up this year for increased sales of U.S. planting stock such as strawberries, due to freeze damage in January. The United States is also a leading supplier of almonds and walnuts to the Italian market.

Cotton. Italy continues as an important customer of U.S. cotton, which enters duty-free.

Tobacco. Imports are subject to decisions made by the Italian state tobacco monopoly. Because U.S. tobacco is prized for its quality, Italy will continue to include a certain percentage of U.S. tobacco in its tobacco products.

Seeds. Continued use of improved varieties should mean a good market for U.S. seed exports. Certification procedures follow the norms set by the Organization for Economic Cooperation and Development.

Wood Products. U.S. softwood continues to enjoy a favorable market in Italy. Potential exists for regaining a share of the hardwood market through greater attention to the needs of Italian importers. ■

The author is U.S. agricultural officer in Milan, Italy.

Tunisia: Innovative Exporters Wanted

Black Star

By Thomas A. Pomeroy

Once the breadbasket of the Roman Empire, Tunisia still produces substantial amounts of wheat, olives, grapes, citrus and livestock, but today the country must import a third of the food needed by its 7 million people.

As a result, there is considerable opportunity for U.S. agricultural exporters willing to take the time to get to know the Tunisian market and its needs.

In particular, exporters who can propose production for re-export will meet a receptive response among Tunisian decision-makers, and may find it a cost-effective way of entering nearby markets.

While doing business in Tunisia is probably easier and more pleasant than in many developing countries, the country shares many of their difficulties, including foreign exchange controls, heavy government influence in the economy and limitations on imports of consumer products.

U.S.-Tunisian Trade

Although U.S. exporters have tended to put little market development effort in Tunisia, the country imports large quantities of products readily available from the United States.

Major Tunisian imports include wheat, corn, soybean meal and oil, barley, cotton, tobacco, seeds, meat, dairy and beef cattle, semen and poultry breeding stock. In 1984, Tunisia imported about $600 million worth of these commodities. Over one-fifth of this came from the United States with the help of export credits and Public Law 480 shipments. Major imports from the United States were wheat (700,000 tons) and corn (179,000 tons).

Tunisia is trying to expand agricultural production with new crop varieties and new production methods. It is also trying to produce more livestock and cut down on meat and dairy imports from Europe. This effort will expand demand for imported feed, and the United States could be the major supplier.

But making grain sales can be difficult for exporters new to the market. The Office of Cereals (OC), which controls all imports, decides often with almost no lead time to hold a tender and expects representatives of bidding firms to negotiate quantities, prices and shipping dates after submitting initial bids. Some multinational grain firms have representatives in Tunisia in order to maintain contact with the OC and react speedily to market opportunities.

Credit Arrangements Can Help Boost Exports

Credit programs have enabled U.S. exporters to expand their share of the Tunisian market. The blended credit program helped U.S. exporters sell about 1,000 Holstein heifers to Tunisia in 1983/84 and to more than double the U.S. share of Tunisia's wheat market by 1984. A similar program now offered by France will influence market shares for soft wheat this year.

For some commodities, such as wood, the United States faces severe foreign competition due to countertrade arrangements. These arrangements represent a major policy goal of the Tunisian government and a growing factor in international trade. Foreign countries supplying wood to Tunisia must absorb Tunisian exports such as phosphates or wine.

Government Import Controls

Tunisian foreign trade is controlled by the government, whose goals are expanding local production and conserving scarce foreign exchange. Imports of value-added consumer products are strictly limited.

Tunisia's seven supermarket chains have limited authority to import approved articles and can expand import quotas based on export revenues. The supermarkets have set up a mechanism to market goods abroad in order to have their import quotas expanded.

U.S. exporters who can arrange for countertrade transactions may have a broader opportunity to negotiate sales to Tunisia. The general type of product, however, will still have to fall within normal approval procedures.

Tunisians appreciate high-quality goods. For example, there is a small but growing market for U.S. and other foreign cigarettes, considered to be an essential convenience, despite a price tag three times the local brands.

While it would be easy to generate consumer demand for many U.S. convenience foods or other value-added food products, such efforts would be useless if the government prevents importation.

Some Guidelines for Determining if a Product Can Be Imported

U.S. exporters should assess demand in Tunisia for their products by taking the following guidelines into consideration:

—Is the item a necessary consumer staple, which must be made available? If the answer is yes, the government will permit importation, but generally try to get the cheapest price possible. Credit and countertrade/barter arrangements may also come into play.

—Is the good a luxury that Tunisian consumers can do without or can it be produced locally? If the answer is an unqualified yes, there is little hope of making a sale. Such products include most convenience foods that are not now commonly used in Tunisia. In general, the government would prefer to have value-added consumer goods produced domestically.

—Will importation help to expand local production and/or result in a net saving of foreign exchange? Tunisia is receptive to this type of argument. For example, soybean oil is imported to be mixed with locally produced olive oil for sale to Tunisian consumers. This permits more exports of olive oil, a commodity valued at twice as much, resulting in a net gain to the economy.

Similarly, the government permits importation of seeds, seedlings, animals and semen in order to increase the productive potential of the country.

Importing items in limited quantities for Tunisia's tourist industry can be difficult. After efforts of nearly one year by the U.S. Agricultural Trade Office (ATO) in Tunis and U.S. exporters, the government finally agreed that U.S. high-quality beef could be imported. This initiative could lead to opening of the market for other products for marketing to foreign visitors.

Another example of an imported product that could save Tunisia foreign exchange is vegetable protein to be used as meat extenders, which could substitute soybean meal imports for meat imports.

A subsidiary of a U.S. firm recently donated 100 kilograms of texturized soy protein to the Tunisian Institute of Nutrition for experimental use in school lunch programs. The program could eventually lead to expanded demand for soy products in the general population.

Technology Transfer: A Sales Theme

One of the best opportunities for U.S. exporters lies in genetics and related technology. Tunisians are interested in vegetable and forage seed, fruit tree seedlings, bovine semen, improved breeds of dairy cattle and the technical expertise to make the purchases pay off.

U.S. exporters with new products to improve agricultural production or processing will have a good chance of making sales in Tunisia. U.S. firms interested in joint ventures (local investment and production for re-export) will find a particularly receptive audience.

Probably the most promising areas for the future of U.S. agricultural exports to Tunisia are the grain and livestock sectors. Tunisia now imports nearly 1 million tons of wheat, nearly 100,000 tons of soybean meal and nearly 300,000 tons of feed grains annually.

Erratic weather, a growing population and competing uses for land will ensure continued strong demand for grain imports despite efforts to increase production.

U.S. exporters have been successful in exporting 1,000 Holstein dairy cattle to Tunisia. The firm that sold the Holsteins also won a contract to provide 18 months of technical assistance financed by the U.S. Agency for International Development. There is a possibility that an additional 2,000 head of U.S. Holsteins will be imported in 1985/86.

Other examples of joint U.S.-Tunisian ventures include contracts to package dry soup, pudding and dates. In many of these cases, the firms will be producing and packaging for re-export.

Soybean Opportunities

A private Tunisian recently formed a new company to begin a soybean crushing plant in joint venture with a multinational company. The Tunisian government approved the formation of the company and changed the schedule of customs duties to facilitate the new venture.

With the new facility, Spanish soybean oil and Brazilian soybean meal could be supplanted by imports of U.S. beans—a 300,000-ton market.

Long-Term Market Expansion

Longer term market development promotion is handled by market development cooperators, which are non-profit U.S. producer organizations.

U.S. Wheat Associates is helping Tunisians learn to purchase and use wheat and to appreciate the quality difference that may provide a special competitive edge for U.S. products.

The U.S. Feed Grains Council and American Soybean Association are trying to help Tunisia expand its livestock production (sheep, milk, beef and poultry) to save foreign exchange and to generate additional demand for U.S. feed grains and soybeans.

Market opportunities for tobacco, cotton, rice and other products are monitored by other cooperator associations.

The Key to Marketing: Know Your Customer

Although Tunisian importers have traditionally bought products from Europe, they are looking for opportunities to establish new trading relationships as well. This creates opportunities for U.S. exporters with the resources and patience to develop the market.

U.S. exporters who want to sell in Tunisia or other countries should either analyze what the customer wants or make the customer realize why he needs their products. Most successful exporters will think in terms of creating long-term relationships with their customers.

Dependence on European Practices

Selling products in Tunisia usually requires personal contact. Buyers are used to European suppliers and European product standards are reflected in Tunisian laws and import procedures.

While Tunisians are friendly and eager to diversify their commercial contacts, U.S. business representatives must be ready to satisfy local concerns and establish sufficient good will to make sales.

Most U.S. companies will not find it cost effective to establish an office in Tunisia unless they plan to use the office as a regional base. It is possible to service Tunisia from a European office or affiliate. A local agent may be the best alternative. U.S. business representatives can develop contacts in the Tunisian market in a few days' visit as part of a trip to several countries in North Africa or the Middle East.

Most Tunisians speak a local dialect of Arabic and all educated Tunisians speak French, the language of business. Promotional literature that is not in French or Arabic has little value.

Business visitors will find the U.S. Agricultural Trade Office in Tunis invaluable in arranging their appointments, advising them on local conditions, problems and opportunities and, in many cases, translating at meetings. Exporters also can telex to Tunisian importers through the ATO to make sure that their telexes are received and understood. ■

The author is the U.S. agricultural trade officer in Tunis, Tunisia.

Yugoslavia: Opportunities Exist Despite Complex Market

Black Star

By Harlan J. Dirks

U.S. exporters willing to spend time, patience and effort have an opportunity of finding markets in Yugoslavia. But even veteran traders will find the Yugoslav political-economic structure complex.

All foreign purchases are made through approved foreign trade organizations, operating on behalf of end-users. Understanding how this system works is important, especially for new-to-the-market exporters.

Despite current financial difficulties and the negative impact of the strong U.S. dollar, Yugoslavia remains a good market, especially for U.S. bulk agricultural commodities such as soybeans, soybean meal and oil, cotton, hides and skins and, periodically, wheat, corn and sorghum.

Falling real personal incomes under Yugoslavia's current economic stabilization program have slowed demand for value-added products. In the long run, potential may increase for imports of value-added products, but that will depend on the recovery of the Yugoslav economy and improvements in the foreign debt situation.

How To Make Contacts

The first and most important step in selling agricultural products in Yugoslavia is to establish good contacts with Yugoslav foreign trade firms authorized to import agricultural commodities.

Regardless of whether the commodity is imported via government tender, a barter arrangement or as a straight cash business deal, all imports must be made through these firms. Although some trading firms tend to specialize in certain products, they are all basically authorized to import a full line of agricultural products.

Yugoslav export/import companies, including those dealing in agricultural trade, are listed in the Yugoslav Export Import Directory, which can be ordered from Yugoslaviapublic, Knez Mihajlova 10, 11000 Belgrade, Yugoslavia.

Promotion offices of the Yugoslav Chamber of Economy in New York, Chicago and San Francisco can also help U.S. exporters establish contacts with Yugoslav firms. A list of major Yugoslav importers dealing in agricultural trade is available from the U.S. agricultural counselor's office in Belgrade.

Although there are no central buying or government purchasing agencies as such in Yugoslavia, both the federal and republic governments are substantial importers, and contacts at this level are useful.

In general, government purchases are made through foreign trade organizations. Government purchases (both federal and republic) are generally completed on the basis of public tenders and are normally for certain essential food products.

Any eligible Yugoslav foreign trade firm can entertain bids under these tenders from foreign suppliers, with the lowest bid usually getting the business. Close contact with Yugoslav foreign trade firms can be useful in this bidding process.

Personal contact with end-users is also essential in making sales. Since the end-users actually place the orders, they must be assured that the U.S. exporting firm is reliable and has the type and quality of products needed.

In making contacts with potential buyers, exporters should have printed information about their products, such as nutritional value, yield performance, quality, delivery conditions and prices. The U.S. agricultural counselor's office can assist with end-user contacts.

Trade exhibits are another means of reaching the end-user. A major agricultural show is held each May in Novi Sad. It is important to staff these exhibits with personnel who speak Serbo-Croatian. Printed matter should be translated to Serbo-Croatian when possible. For information on the Novi Sad fair, write:

Ms. Katica Nisevic
Head, Foreign Exhibitors Department
Hajduk Veljka 11
21000 Novi Sad, Yugoslavia

Allocations Help Boost Imports

Availability of hard currency is a major impediment to increased imports at the present time. To alleviate this situation, Yugoslavia allocated $560 million both in 1984 and 1985 for priority imports of certain critical raw materials and food products, such as vegetable oils, soybeans, fishmeal, meat meal, nonfat dry milk, coffee, cocoa, seafood, tropical fruits, butter and a host of agricultural inputs.

Any importer can use the foreign currency from these allocations, but they must match these funds on a 50:50 basis, either in cash or through a compensation trade arrangement. These allocations have had a favorable impact on imports. Individual importers can also earn hard currency on their own account through exports to Western buyers.

In fiscal 1984/85, Commodity Credit Corporation (CCC) GSM-102 export credit guarantees were available to assist U.S. exporters in selling soybeans, soybean meal, cotton and hides and skins to Yugoslavia. Other commodities could be added to the list, if the need arose. These credits have enabled Yugoslavia to increase its imports from the United States substantially in recent years. In fact, Yugoslav importers have a special incentive to use this type of credit for imports of raw materials destined for re-export of the corresponding finished products.

Importers qualifying for commodity credit status under this program are eligible to retain 100 percent of the foreign exchange earnings, provided the firm has an export contract for the finished products in advance of the purchase of the needed raw materials.

These imports also enter duty-free. Without the commodity credit provision, at least 50 percent of the hard currency earned on normal exports is taken off the top to pay for federal debt obligations and products such as crude oil imports. The credit program has been useful in increasing U.S. raw cotton and hides and skins sales.

Countertrade Offers Have Inside Edge

Given the tight foreign exchange situation, U.S. exporters who can accept countertrade offers may have an inside edge on many trade opportunities. A large share of the total trade is now completed under countertrade arrangements. All compensation trade deals must be approved in advance by the Yugoslavian government.

Also, U.S. exporters who are in a position to offer short-term private credit will have a definite advantage, particularly for certain sales. More and more sales are being completed on the basis of short-term credit offers. There are also good opportunities for joint venture and licensing arrangements as a means of increasing sales.

Market development activities in Yugoslavia center around activities with several USDA cooperators—the American Seed Trade Association, American Soybean Association, Cotton Council International, Holstein-Friesian Association of America, U.S. Feed Grains Council and U.S. Wheat Associates. Exporters seeking information about the Yugoslav market can contact them.

Import Controls

Yugoslavia maintains a number of trade barriers, but they are less important to actual sales than other economic factors.

Imports of major agricultural commodities are controlled through a system of import quotas, which are set in the Economic Chamber of Yugoslavia and by various associations, based on agreement of interested segments of the local economy. Often these quotas go unfilled.

For the majority of agricultural and food products, custom duties range from 5 to 12 percent ad valorem. In addition, imports are subject to the following charges levied on the dutiable value of imports: 1-percent custom evidence tax to offset customs costs, and a 6-percent equalization tax to compensate for certain internal taxes paid by domestic manufacturers.

Normal custom duties and the 6-percent equalization tax for imports of raw materials purchased under foreign commodity credits (including CCC credit) were abolished in January 1983, provided the final products of these imports are exported to hard currency markets. ■

The author is the U.S. agricultural counselor in Belgrade, Yugoslavia.

The German Democratic Republic: A State-Controlled Market

By William P. Huth

U.S. agricultural exporters shouldn't overlook the German Democratic Republic (GDR) market just because it is state-controlled. But they should be prepared to work for long-term potential rather than quick sales and to take the time to develop contacts with key government buying officials.

The GDR is a centrally planned economy run by the state and is reluctant to spend hard currency for food products. This significantly restricts the range of products bought and the likelihood of sales in the short run for U.S. firms.

When analyzing the market for agricultural products in the GDR, exporters need to look not only at the hypothetical market—which may seem very good—but also at the actual market with its limitations.

The Hypothetical Market

The GDR has about 16.7 million people who are well-educated and sophisticated consumers. Caloric intake is more than adequate with plenty of meat, potatoes, milk and butter, but there is a lack of variety and year-round availability of fruits and vegetables—particularly citrus, tropical fruits and fresh vegetables. The climate prevents production of tropical and semi-tropical food items.

Moreover, despite efforts to increase agricultural output, the GDR is unable to produce enough basic commodities, such as livestock feeds, to meet domestic needs.

GDR consumers do have the purchasing power to buy food products. Even though incomes may seem low, expenses for food, housing, education and health are also very low by Western standards.

Food Shopping in the GDR

Consumers shop in several types of stores. Basic stores, including supermarkets, feature a fairly broad range of food products. Prices for most of the basic staples in these stores haven't risen in 30 years.

A more limited range of higher quality and more exclusive food products is available in "Delikat" stores, but prices are somewhat higher.

There are also a small number of "Intershops," where GDR citizens may purchase some Western and other food products not available elsewhere with hard currency.

The Actual Market

With the many gaps in the range of food items offered, the GDR should be a lucrative market for food exporters.

However, as an East bloc, state-controlled, non-market economy, basic economic policy is decided by state officials in the context of five-year plans and goals.

Fundamental policy emphasizes sustained economic growth by greater use of more sophisticated technology. Since much of this technology can only be purchased in Western countries, the use of foreign exchange is allocated primarily to purchasing goods and services to modernize production. Use of hard currency to purchase consumer items is restricted.

Government Traders Do the Buying

The authority to import or export products is distributed among a group of Foreign Trade Organizations (FTO).

Through this system, consumer demand which cannot be met from domestic production—such as that for citrus fruits and drinks—is forced to match the planned supply.

First, such items are imported from other non-hard currency socialist countries. To the extent this is not possible, every attempt is made to work out barter-type arrangements where an agreement to import can be coupled with an agreement on the part of a Western seller to buy an equivalent quantity of GDR goods.

The demand that remains after these two possibilities have been fully exploited may be met by exporters from hard currency countries or simply left unfilled.

The GDR imports primarily basic commodities, especially feedstuffs, to provide its citizens with diets containing the levels and types of food called for under the country's five-year plan.

The basic goal is to achieve self-sufficiency where feasible, but there is no policy objective to produce agricultural products for export. The market for traditional imports from the United States (see table) should continue, assuming that U.S. products are price competitive.

How To Enter the GDR Market

In general, doing business in the GDR is similar to doing business in other East bloc countries. The ideal approach is to visit the GDR and meet with officials of the FTO responsible for your product. Most likely, primary contacts will be with officials of the FTOs (see box).

Personal contacts are very important. Usually, two days is sufficient for a business visit to the GDR because an exporter needs to visit only three or four organizations, all located in Berlin.

Exporters should be prepared to "quote chapter and verse" in terms of the conditions of sale—such as delivery and price. They should be able to convey specific information to officials so they can compare the offer with sales packages offered by competitors. Samples of consumer food products are highly appropriate.

Chances of success are greatly increased if an exporter can offer financing arrangements or assist GDR officials in exporting some of their products, such as machine tools, to the United States. Currently, however, obstacles to such arrangements are significant. Under U.S. law, the GDR is not eligible for most-favored-nation treatment nor for government financing programs.

Corn Tops List of U.S. Agricultural Exports to the GDR

(In $ million)

Commodity	1983	1984
Corn	82.9	75.7
Sunflowerseed	4.0	18.9
Sorghum	0	15.1
Barley	7.0	7.0
Soybeans, oilcake, meal	17.4	3.6
Cotton, linters	0.5	2.1
Livestock products	2.1	1.5
Other	3.1	0
Total	**117.0**	**123.9**

**Excludes transshipments of U.S. agricultural products, such as soybean meal, tobacco and cotton, which enter the GDR from another country rather than directly from the United States.*

At any rate, U.S. exporters should be prepared to spend time establishing, maintaining and developing contacts and looking at longer term sales.

Leipzig Fair: The Right Place And the Right Time

Twice a year, in the fall and spring, the GDR holds a major trade fair in Leipzig. The GDR considers these fairs its primary showplace and chief foreign trade promotion activity. Officials from the Ministry of Foreign Trade, the Foreign Trade Bank, FTOs and other government agencies are in Leipzig during the fairs and are generally available for meetings. These fairs provide the ideal opportunity for a U.S. business representative to contact the right people.

The next fair will be March 16-22, 1986. The Office of Agricultural Affairs in the American Embassy to the GDR in Berlin is prepared to assist exporters in carrying out such a visit. Contact William P. Huth, Agricultural Counselor, Office of Agricultural Affairs

By U.S. Mail
American Embassy
USBER, Box E
APO, New York
09742

By International Mail
U.S. Mission: Box E
170 Clayallee
1000 Berlin 33 ■

The author is the U.S. agricultural counselor to the German Democratic Republic.

Foreign Trade Organizations

Nahrung Export-Import
DDR-1020 Berlin
Schicklerstrasse 7
Phone: 21480
Telex: 114893, 114894, 114895, 114896

Imports: Wide range of products including animals; germplasm; meat, poultry and dairy items; sweeteners; grains and legumes; oilseeds; seeds; nursery stock; flowers and fish.

Zentral-Kommerz GmbH
DDR-1100 Berlin
Parkstrasse 4a
Phone: 4840
Telex: 114981, 114982, 114983
Cable: ZENTAKO BERLIN

Supply and service program for international trading of agricultural products.

Interpelz
DDR-7010 Leipzig
Nikolaistrasse 13/25
Postfach 227
Phone: 71330
Telex: 51477

Imports: Hides, skins, leather and related items.

VE Kombinat Holzhandel Berlin
Foreign Trade Section
DDR-1055 Berlin
Prenzlauer Allee 233
Phone: 4400276
Telex: 114747 koha

Exports and Imports:
Wood and wood products.

Zellstoff und Papier Export/Import
DDR-1080 Berlin
Mauerstrasse 77
Phone: 20750
Telex: 114523

Imports: Pulp and pulp products.

Genussmittel Import-Export
DDR-1086 Berlin
Thalmannplatz 2
Phone: 2202811
Telex: 112353

Imports: Sweets; coffee; cocoa; tea; hops and products; spirits; tobacco and products; spices; dried fruits; flavorings and yeast.

Fischimpex Rostock
DDR-2510 Rostock 5
Postschliessfach 42
Phone: 3100
Telex: 31309 fimex

Exports and Imports: Fresh, processed and preserved fish and sea products.

Textilcommerz
DDR-1080 Berlin
Unter den Linden 62/68
Postfach 1206
Phone: 2200301
Telex: 112816

Imports: Fibers, textiles and products.

Fruchtimex
DR-1020 Berlin
Schicklerstrasse 7
Phone: 2148?
Telex: 114686, 114687

Imports: Fruits, vegetables, nuts and products.

Agency Companies

Agena
Aussenhandelsvertretungen GmbH
DDR-1185 Berlin
Bruno-Taut-Strasse 8
Phone: 68120
Telex: 113282-113284

Agency and business connections in the following fields: fruits, vegetables and products; wine and spirits; coffee; cocoa; tea; chocolate; sweets; spices; tobacco; tinned fish; grains and oilseeds.

Agrima GmbH
Foreign Trade Agency
DDR-1040 Berlin
Albrechtstrasse 11
Phone: 2829471
Telex: 113138

import and export agency for agricultural products and foodstuffs.

Asimex
Export-Import Agency
DDR-1034 Berlin
Warshauer Strasse 5
Phone: 5800611
Telex: 112418, 112419

Foodstuffs; perfumes; cosmetics and domestic chemical products.

Textilvertretungen GmbH
DDR-1185 Berlin
Bruno-Taut-Strasse 1185 Berlin
Phone: 68120
Telex: 113282, 113283, 113284

Business agency for foreign producers and suppliers of textile raw materials, textiles, leather and related items.

Turkey: Government Policies Encourage Export Opportunities

By Alfred R. Persi

Within a year of Turkey's return to a parliamentary government in late 1983, the country's agricultural imports took off, with U.S. sales sharing in the gain.

In 1984, Turkey's agricultural imports rose threefold over the previous year to $700 million. This included mostly unrefined soybean oil, wheat and feed grains. The U.S. share of the market was 41 percent primarily because the United States was the main supplier of wheat, feed grains and tallow.

The new trading atmosphere also opened a market for U.S. soybeans. For the first time ever, Turkey contracted to import 77,000 tons of U.S. soybeans valued at $17 million during the third quarter of 1984. (Only $2 million of these soybean imports are recorded in import statistics for 1984, and such imports continue to enter Turkey during 1985).

Today, bulk commodities hold the best opportunity for agricultural sales to Turkey. Market opportunities for high-value processed agricultural products have decreased considering the general population's limited purchasing power and small size of retail outlets. Food entering the domestic marketing system consists primarily of Turkish-origin agricultural products.

For the rest of 1985 and the immediate future, Turkey is expected to continue as a good market for wheat, feed grains, tallow and even soybeans. Other agricultural import items of interest are wool, planting seeds, rice, hides and skins and breeding animals, in addition to unrefined vegetable oils. U.S. exporters should be in a good supply position to take advantage of these market opportunities.

How Market Constraints Will Affect Exports of U.S. Farm Products

High interest charges and an elevated rate of inflation (49.7 percent in 1984 and continuing at the same rate in 1985), as well as a constantly devaluing Turkish lira against the U.S. dollar will affect future U.S. exports to Turkey.

The strong dollar has hit U.S. grain exports particularly hard. During the first half of 1984, the Turkish Soil Products Office awarded import tenders for 320,000 tons of Argentine and 80,000 tons of French wheat, which displaced U.S. wheat exports, primarily due to price.

Should U.S. wheat and feed grain prices become more in line with those of other world grain producers, the United States could be expected to re-enter the Turkish market. As the United States becomes price competitive, U.S. exporters could increase their share of the Turkish agricultural market in the future because of their high-quality product.

Trade Regulations Relaxed

At the end of 1983, the new government liberalized Turkey's foreign trade regulations by freeing certain categories of imports from government licensing.

Further non-tariff liberalization measures took place throughout 1984, among them a lowering of import duties for various agricultural commodities. In addition, the government opened all agricultural imports to private importers.

As a member of the General Agreements on Tariff and Trade, Turkey extends most-favored-nation treatment to fellow members such as the United States. The Turkish customs tariff is based on the c.i.f. value of imports.

The government intends to establish four free trade zones in Turkey in the near future. Two of these zones will be established in the Mediterranean coastal cities of Mersin and Antalya to handle packaging and storage of items for re-export.

These Mediterranean facilities are expected to become operational in 1986. Meanwhile, the two other free zones for industrial production are to be set up in Adana and Izmir, with opening projected in three or four years.

Doing Business in Turkey

Trade in the private sector is characterized by many intermediaries, low turnover and high profit margins. It is customary for manufacturers to extend credit to the wholesale trade. Meanwhile wholesalers extend credit to retailers, who, in turn, often supply credit to consumers.

Most retail outlets consist of small, specialized shops, with more than half involved in the food trade. Products sold in food shops are mostly domestic items with a few imports such as coffee and, lately with the government's import liberalization, cheeses, limited amounts of European Community meat and foreign

cigarettes. Grocery stores are small. However, Migros, a retail food chain, operates some 24 stores in Istanbul.

The Turkish government's Soil Products Office is the primary government importer of grains. Turkish government purchases are done by publicly announced import tenders and require bid bonds averaging 4 percent and performance bonds averaging 8 percent. In most cases, a contract is awarded to the lowest bidder.

Export Regulations Specified

For all commercial shipments to Turkey, a commercial invoice, certificate of origin, bill of lading for sea transport or an air waybill must accompany the export. Terms of payment consist of either documentary and acceptance letters of credit, cash against documents or cash against goods.

Acceptance letters of credit with 180-day terms may be used for imports of raw industrial materials and fertilizers. The Central Bank will not arrange transfers for importers unable to deposit the value of the import purchase in Turkish lira.

Shipping marks, numbers, dimensions and gross weight of the merchandise must appear on all cases, bales and packages exported to Turkey. Merchandise with a bill of lading destined for shipment through Turkey must be marked "In Transit", with payment of import duty at point of destination. Otherwise, all products entering Turkey are subject to the applicable customs duty in full.

The metric system is used for weights and measures. Technical standards are established by the Turkish Standards Institute. ■

The author is the U.S. agricultural attache in Ankara, Turkey.

Agribusiness Opportunities Are Wide Open in Turkey

Early last year the government of Prime Minister Turgut Ozal instituted free market policies along with a revision of the foreign exchange system, liberalization of foreign commerce and reduction of bureaucratic obstacles to trade, all of which had a positive affect on the investment climate in Turkey.

Virtually all sectors of the economy are now open to foreign investment with the Turkish government encouraging overseas investment for economic and technological development.

There are no limits on the magnitude of investment; foreign capital is allowed to enter Turkey whether in cash or in kind. There is no limitation on repatriation of dividends, profits on capital shares, the share of the foreign investor in case of liquidation or income from the sale of shares.

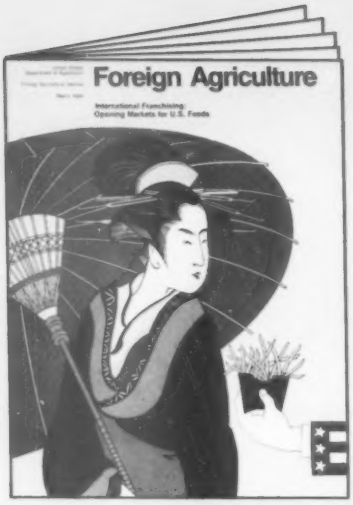
Just prior to Turkey's economic liberalization measures, the U.S. Department of Agriculture in conjunction with the Overseas Private Investment Corporation (OPIC) sent an investment mission to Turkey in October 1983 to study joint U.S.-Turkish investment opportunities.

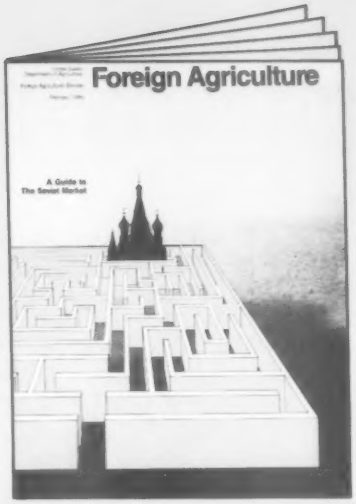
As a result of that mission, an OPIC project bank with as many as 25 investment opportunities was developed. Most of these projects deal with agribusiness and industry.

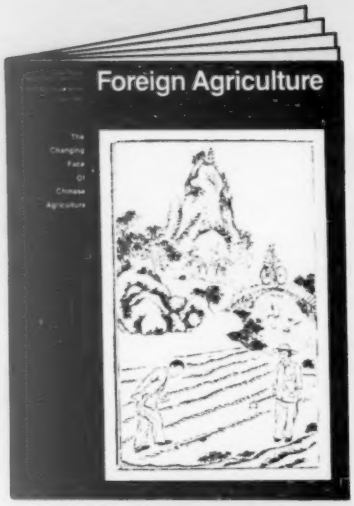
Based on a U.S. embassy analysis of foreign capital investment in Turkey by major countries at the end of 1984, the U.S. share was 15.2 percent, with several projects involving agribusiness.

While some Turkish businesses have been disappointed with the slow pace of foreign investment by, and joint venture agreements with, U.S. firms, there is a growing consensus that the pace will pick up, particularly in the agribusiness sector, because Turkey has a natural advantage in agriculture.

Agribusiness activities offering investment opportunities include dairy, meat processing, fruit juice manufacture, frozen fruit and vegetable processing, snack food manufacture, seed breeding, integrated livestock production, fresh flower raising and integrated poultry operations. The list is expected to increase with rising interest from abroad in investing in Turkey.







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